



Roland W. Burris

Comptroller
State of Illinois

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Springfield, Illinois 62706
217/782-6000

PAYROLL BULLETIN
(5-86)

TO: All State Agencies, Departments, Boards, Commissions
and Universities

SUBJECT: Medicare

Public Law 99-272, the Consolidated Omnibus Budget Reconciliation Act of 1985, provides that all State and local government employees in positions not covered for Social Security beginning employment after March 31, 1986 are mandatorily covered by medicare. To comply with this Act, State agencies must begin withholding medicare tax from these employees with the first pay period beginning after June 30, 1986. New employees in positions not covered for Social Security and, therefore, affected by P.L. 99-272 are:

- 1) Members of the State Employees' Retirement System under the alternative formula.
- 2) Members of the State Employees' Retirement System not coordinated for Social Security who terminate employment and return after March 31, 1986, even if they did not obtain a refund of their retirement contributions or were not in a position eligible for social security.
- 3) State employees whose employers are members of the Downstate Teachers, State Universities, Judges and General Assembly Retirement Systems.
- 4) State employees paid pursuant to a Form C-02, Contractual Services. (See Accounting Bulletin for instructions).
- 5) Any other State employee specifically excluded from a State Retirement System who receives compensation for services.

Exceptions to coverage under medicare will be limited to:

- 1) Individuals employed by the State for relief of unemployment.
- 2) Patient or inmate employees.
- 3) Temporary employees serving in case of fire, storm, snow, earthquake, flood or other similar emergency.
- 4) University students currently enrolled and attending classes at the University for which they perform services.
- 5) Exchange aliens and non-immigrant students holding F-1 and J-1 visas.

PAYROLL PROCEDURES

In order to comply with the Federal Government's reporting requirements, additional codes must be established to identify medicare deductions. They are as follows:

<u>Medicare Deduction Code</u>	<u>Medicare Paid Up Code</u>	<u>Used For</u>
C	W	Employees of agencies under the Jurisdiction of the Universities Retirement System
D	X	All other employees

For employees who began employment after March 31, 1986 and are in positions normally covered by Social Security, the Social Security deduction code will remain A and the paid up Social Security code will remain Z. For those employees who will not be covered by either Social Security or medicare, the FICA code will be B.

The appropriate FICA/Medicare deduction code should be placed in field 13 of the payroll voucher and the deducted amount should be placed in field 14 of the payroll voucher. The tape position for the FICA/Medicare code is 169 and the tape positions for the deducted amount are 170 through 175.

The above deduction codes should be used until the employee has reached the maximum. After the maximum amount has been paid, then the appropriate paid up code should be placed in the FICA field and no more deductions should be made for the balance of the calendar year.

The trailer records for agencies which are not under the jurisdiction of the State Universities Retirement System will remain the same as those used for regular Social Security, they are as follows:

<u>CODE</u>	<u>PAYEE NAME</u>
86 086	State Employees' Retirement System State Contribution - FICA
90 090	FICA Tax Fund (Employee Contribution to FICA)

UNIVERSITY TRAILER RECORDS

Since the State University Retirement System will be administering the medicare program for those agencies under its jurisdiction, two new trailer codes have been established to represent employee and employer contributions to medicare. They are as follows:

<u>CODE</u>	<u>PAYEE NAME</u>
88 088	University Retirement System State Contribution - Medicare
91 091	University Retirement System Employee Contribution - Medicare

These new codes are to be used only by those agencies under the jurisdiction of the State Universities Retirement System. The detail object code should be 1170.

The medicare employer and employee rate is 1.45% (.0145) on the first \$42,000.00 of the total gross wage including other compensation subject to withholding. Wages subject to medicare are not to be calculated as they are for income tax. Income tax deferred items such as TSAs, Deferred Compensation, Retirement, State sponsored insurance, etc. are subject to medicare deductions as they currently are for determining Social Security deductions. In the event an employee has received "wages subject to medicare" and "wages subject to social security" where the total exceeds \$42,000, the appropriate Retirement System should be contacted for instructions.

RETROACTIVE ADJUSTMENTS

Employees who started after March 31, 1986 and prior to July 1, and are subject to medicare are subject to the tax even though no deductions were made. Employer contributions are also due.

To effect this retroactive adjustment there are two steps which must be followed:

- 1) The amount of medicare that should have been deducted and was not must be collected from the employee in one lump sum.

- 2) An invoice-voucher (C-13) must be prepared by the agency for the employer contribution payable to the appropriate retirement system and drawn on the appropriate FY86 state contribution to Social Security.

Prior to submitting the voucher, the agency should contact Barb Moore, of the Office of the Comptroller (782-3608) to arrange for pickup of the warrants.

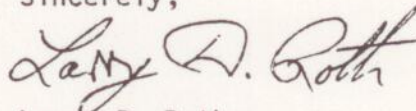
The employee's share of medicare contributions must be collected by the agency from the employee. Then, the state warrant and the employee's remittance should be forwarded to the appropriate retirement system along with a letter identifying the following:

- 1) Employee identification by name and Social Security number.
- 2) Time period covered by the adjustment.
- 3) Amount of medicare wages to be adjusted.
- 4) Amount of medicare contributions to be adjusted. This amount must be 1.45% of the amount of medicare wages to be adjusted.
- 5) Signature of the appropriate agency official.

This process should be completed by September 15, 1986.

Questions concerning payroll procedures affected by this bulletin may be addressed to Dan Steven or Nancy Smith at (217) 782-4758. Questions concerning employee coverage for those agencies under the jurisdiction of the State University Retirement System may be addressed to Bryan Bloom at (217) 333-3860. All others may be addressed to the Accounting Division of the State Employees Retirement System at (217) 753-0430.

Sincerely,



Larry D. Roth
Director - State Accounting